

[DISCUSSION DRAFT]

SEPTEMBER 21, 2003

1 **TITLE ____—COAL**
2 **Subtitle A—Clean Coal Power**
3 **Initiative**

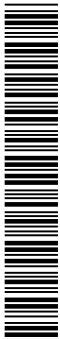
4 **SEC. ____01. AUTHORIZATION OF APPROPRIATIONS.**

5 (a) CLEAN COAL POWER INITIATIVE.—There are au-
6 thorized to be appropriated to the Secretary of Energy (re-
7 ferred to in this Act as the “Secretary”) to carry out the
8 activities authorized by this subtitle \$200,000,000 for
9 each of fiscal years 2004 through 2012, to remain avail-
10 able until expended.

11 (b) REPORT.—The Secretary shall submit to the
12 Committee on Energy and Commerce and the Committee
13 on Science of the House of Representatives, and to the
14 Senate, the report required by this subsection not later
15 than March 31, 2005. The report shall include, with re-
16 spect to subsection (a), a 10-year plan containing—

17 (1) a detailed assessment of whether the aggre-
18 gate funding levels provided under subsection (a) are
19 the appropriate funding levels for that program;

20 (2) a detailed description of how proposals will
21 be solicited and evaluated, including a list of all ac-
22 tivities expected to be undertaken;



1 (3) a detailed list of technical milestones for
2 each coal and related technology that will be pur-
3 sued; and

4 (4) a detailed description of how the program
5 will avoid problems enumerated in General Account-
6 ing Office reports on the Clean Coal Technology
7 Program, including problems that have resulted in
8 unspent funds and projects that failed either finan-
9 cially or scientifically.

10 **SEC. ____02. PROJECT CRITERIA.**

11 (a) IN GENERAL.—The Secretary shall not provide
12 funding under this subtitle for any project that does not
13 advance efficiency, environmental performance, or cost
14 competitiveness well beyond the level of technologies that
15 are in commercial service or have been demonstrated on
16 a scale that the Secretary determines is sufficient to dem-
17 onstrate that commercial service is viable as of the date
18 of enactment of this Act.

19 (b) TECHNICAL CRITERIA FOR CLEAN COAL POWER
20 INITIATIVE.—

21 (1) GASIFICATION PROJECTS.—

22 (A) IN GENERAL.—In allocating the funds
23 made available under section ____01(a), the
24 Secretary shall ensure that at least 60 percent
25 and up to 80 percent of the funds are used only



1 for projects on coal-based gasification tech-
2 nologies, including gasification combined cycle,
3 gasification fuel cells, gasification coproduction,
4 coal-based oxidation technology that would re-
5 sult in concentrated streams of carbon dioxide,
6 and hybrid gasification/combustion.

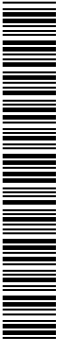
7 (B) TECHNICAL MILESTONES.—The Sec-
8 retary shall periodically set technical milestones
9 specifying the emission and thermal efficiency
10 levels that coal gasification projects shall be de-
11 signed, and reasonably expected, to achieve.
12 The technical milestones shall become more re-
13 strictive during the life of the program. The
14 Secretary shall set the periodic milestones so as
15 to achieve by 2020 coal gasification projects
16 able—

17 (i) to remove 99 percent of sulfur di-
18 oxide;

19 (ii) to emit not more than .05 lbs of
20 NO_x per million Btu;

21 (iii) to achieve substantial reductions
22 in mercury emissions; and

23 (iv) to achieve a thermal efficiency
24 of—



1 (I) 60 percent for coal of more
2 than 9,000 Btu;

3 (II) 59 percent for coal of 7,000
4 to 9,000 Btu; and

5 (III) 50 percent for coal of less
6 than 7,000 Btu.

7 (2) OTHER PROJECTS.—The Secretary shall pe-
8 riodically set technical milestones for projects not
9 described in paragraph (1). The milestones shall
10 specify the emission and thermal efficiency levels
11 that projects funded under this paragraph shall be
12 designed to and reasonably expected to achieve. The
13 technical milestones shall become more restrictive
14 during the life of the program. The Secretary shall
15 set the periodic milestones so as to achieve by 2010
16 projects able—

17 (A) to remove 97 percent of sulfur dioxide;

18 (B) to emit no more than .08 lbs of NO_x
19 per million Btu;

20 (C) to achieve substantial reductions in
21 mercury emissions; and

22 (D) to achieve a thermal efficiency of—

23 (i) 45 percent for coal of more than
24 9,000 Btu;



1 (ii) 44 percent for coal of 7,000 to
2 9,000 Btu; and

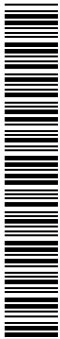
3 (iii) 40 percent for coal of less than
4 7,000 Btu.

5 (3) CONSULTATION.—Before setting the tech-
6 nical milestones under paragraphs (1)(B) and (2),
7 the Secretary shall consult with the Administrator of
8 the Environmental Protection Agency and interested
9 entities, including coal producers, industries using
10 coal, organizations to promote coal or advanced coal
11 technologies, environmental organizations, and orga-
12 nizations representing workers.

13 (4) EXISTING UNITS.—In the case of projects
14 at units in existence on the date of enactment of this
15 Act, in lieu of the thermal efficiency requirements
16 set forth in paragraph (1)(B)(iv) and (2)(D), the
17 milestones shall be designed to achieve an overall
18 thermal design efficiency improvement, compared to
19 the efficiency of the unit as operated, of not less
20 than—

21 (A) 7 percent for coal of more than 9,000
22 Btu;

23 (B) 6 percent for coal of 7,000 to 9,000
24 Btu; or



1 (C) 4 percent for coal of less than 7,000
2 Btu.

3 (5) PERMITTED USES.—In allocating funds
4 made available under section ____01, the Secretary
5 may fund projects that include, as part of the
6 project, the separation and capture of carbon diox-
7 ide.

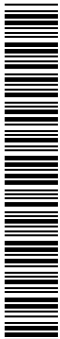
8 (c) FINANCIAL CRITERIA.—The Secretary shall not
9 provide a funding award under this subtitle unless the re-
10 cipient documents to the satisfaction of the Secretary
11 that—

12 (1) the award recipient is financially viable
13 without the receipt of additional Federal funding;

14 (2) the recipient will provide sufficient informa-
15 tion to the Secretary to enable the Secretary to en-
16 sure that the award funds are spent efficiently and
17 effectively; and

18 (3) a market exists for the technology being
19 demonstrated or applied, as evidenced by statements
20 of interest in writing from potential purchasers of
21 the technology.

22 (d) FINANCIAL ASSISTANCE.—The Secretary shall
23 provide financial assistance to projects that meet the re-
24 quirements of subsections (a), (b), and (c) and are likely
25 to—



1 (1) achieve overall cost reductions in the utiliza-
2 tion of coal to generate useful forms of energy;

3 (2) improve the competitiveness of coal among
4 various forms of energy in order to maintain a diver-
5 sity of fuel choices in the United States to meet elec-
6 tricity generation requirements; and

7 (3) demonstrate methods and equipment that
8 are applicable to 25 percent of the electricity gener-
9 ating facilities, using various types of coal, that use
10 coal as the primary feedstock as of the date of en-
11 actment of this Act.

12 (e) FEDERAL SHARE.—The Federal share of the cost
13 of a coal or related technology project funded by the Sec-
14 retary under this subtitle shall not exceed 50 percent.

15 (f) APPLICABILITY.—No technology, or level of emis-
16 sion reduction, shall be treated as adequately dem-
17 onstrated for purposes of section 111 of the Clean Air Act
18 (42 U.S.C. 7411), achievable for purposes of section 169
19 of that Act (42 U.S.C. 7479), or achievable in practice
20 for purposes of section 171 of that Act (42 U.S.C. 7501)
21 solely by reason of the use of such technology, or the
22 achievement of such emission reduction, by 1 or more fa-
23 cilities receiving assistance under this subtitle.



1 **SEC. ____03. REPORT.**

2 Not later than 1 year after the date of enactment
3 of this Act, and once every 2 years thereafter through
4 2011, the Secretary, in consultation with other appro-
5 priate Federal agencies, shall submit to the Committee on
6 Energy and Commerce and the Committee on Science of
7 the House of Representatives, and to the Senate, a report
8 describing—

9 (1) the technical milestones set forth in section
10 ____02 and how those milestones ensure progress
11 toward meeting the requirements of subsections
12 (b)(1)(B) and (b)(2) of section ____02; and

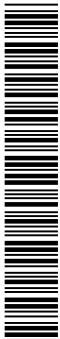
13 (2) the status of projects funded under this
14 subtitle.

15 **SEC. ____04. CLEAN COAL CENTERS OF EXCELLENCE.**

16 As part of the program authorized in section ____01,
17 the Secretary shall award competitive, merit-based grants
18 to universities for the establishment of Centers of Excel-
19 lence for Energy Systems of the Future. The Secretary
20 shall provide grants to universities that show the greatest
21 potential for advancing new clean coal technologies.

22 **SEC. ____05. COAL TECHNOLOGY LOAN.**

23 There are authorized to be appropriated to the Sec-
24 retary \$125,000,000 to provide a loan to the owner of the
25 experimental plant constructed under United States De-
26 partment of Energy cooperative agreement number DE-



1 FC-22-91PC90544 on such terms and conditions as the
2 Secretary determines, including interest rates and upfront
3 payments.

4 **SEC. ____06. COAL GASIFICATION.**

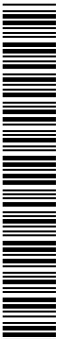
5 The Secretary is authorized to provide loan guaran-
6 tees for a project to produce energy from a plant using
7 integrated gasification combined cycle technology of at
8 least 400 megawatts in capacity that produces power at
9 competitive rates in deregulated energy generation mar-
10 kets and that does not receive any subsidy (direct or indi-
11 rect) from ratepayers.

12 **SEC. ____07. INTEGRATED GASIFICATION COMBINED CYCLE**
13 **TECHNOLOGY.**

14 The Secretary is authorized to provide loan guaran-
15 tees for a project to produce energy from a plant using
16 integrated gasification combined cycle technology located
17 in a taconite-producing region of the United States that
18 is entitled under the law of the State in which the plant
19 is located to enter into a long-term contract to sell at least
20 450 megawatts of output to a utility.

21 **SEC. ____08. PETROLEUM COKE GASIFICATION.**

22 The Secretary is authorized to provide loan guaran-
23 tees for at least 1 petroleum coke gasification
24 polygeneration project.



1 **Subtitle B—Federal Coal Leases**

2 **SEC. ____11. REPEAL OF THE 160-ACRE LIMITATION FOR**
3 **COAL LEASES.**

4 Section 3 of the Mineral Leasing Act (30 U.S.C. 203)
5 is amended—

6 (1) in the first sentence—

7 (A) by striking “Any person” and inserting
8 “(a) Any person”;

9 (B) by inserting a comma after “may”;
10 and

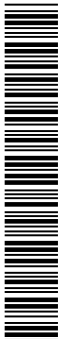
11 (C) by striking “upon” and all that follows
12 through the period and inserting the following:
13 “upon a finding by the Secretary that the
14 lease—

15 “(1) would be in the interest of the United
16 States;

17 “(2) would not displace a competitive interest
18 in the land; and

19 “(3) would not include land or deposits that can
20 be developed as part of another potential or existing
21 operation;

22 secure modifications of the original coal lease by including
23 additional coal land or coal deposits contiguous or cor-
24 nering to those embraced in the lease, but in no event shall
25 the total area added by any modifications to an existing



1 coal lease exceed 1280 acres, or add acreage larger than
2 the acreage in the original lease.”;

3 (2) in the second sentence, by striking “The
4 Secretary” and inserting the following:

5 “(b) The Secretary”; and

6 (3) in the third sentence, by striking “The min-
7 imum” and inserting the following:

8 “(c) The minimum”.

9 **SEC. ____ 12. MINING PLANS.**

10 Section 2(d)(2) of the Mineral Leasing Act (30
11 U.S.C. 202a(2)) is amended—

12 (1) by inserting “(A)” after “(2)”; and

13 (2) by adding at the end the following:

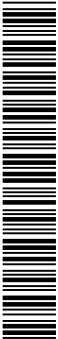
14 “(B) The Secretary may establish a period of more
15 than 40 years if the Secretary determines that the longer
16 period—

17 “(i) will ensure the maximum economic recovery
18 of a coal deposit; or

19 “(ii) the longer period is in the interest of the
20 orderly, efficient, or economic development of a coal
21 resource.”.

22 **SEC. ____ 13. PAYMENT OF ADVANCE ROYALTIES UNDER**
23 **COAL LEASES.**

24 (a) IN GENERAL.—Section 7(b) of the Mineral Leas-
25 ing Act (30 U.S.C. 207(b)) is amended to read as follows:



1 “(b)(1) Each lease shall be subjected to the condition
2 of diligent development and continued operation of the
3 mine or mines, except in a case in which operations under
4 the lease are interrupted by strikes, the elements, or cas-
5 ualties not attributable to the lessee.

6 “(2)(A) The Secretary of the Interior may suspend
7 the condition of continued operation upon the payment of
8 advance royalties, if the Secretary determines that the
9 public interest will be served by the suspension.

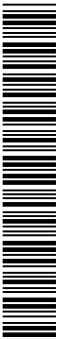
10 “(B) Advance royalties required under subparagraph
11 (A) shall be computed based on—

12 “(i) the average price for coal sold in the spot
13 market from the same region during the last month
14 of each applicable continued operation year; or

15 “(ii) by using other methods established by the
16 Secretary of the Interior to capture the commercial
17 value of coal.

18 “(C) The aggregate number of years during the ini-
19 tial and any extended term of any lease for which advance
20 royalties may be accepted in lieu of the condition of contin-
21 ued operation shall not exceed 20.

22 “(3) The amount of any production royalty paid for
23 any year shall be reduced (but not below 0) by the amount
24 of any advance royalties paid under the lease, to the extent



1 that the advance royalties have not been used to reduce
2 production royalties for a prior year.

3 “(4) The Secretary may, upon 6 months’ notice to
4 a lessee, cease to accept advance royalties in lieu of the
5 requirement of continued operation.

6 “(5) Nothing in this subsection affects the require-
7 ment contained in the second sentence of subsection (a)
8 relating to commencement of production at the end of 10
9 years.”.

10 (b) **AUTHORITY TO WAIVE, SUSPEND, OR REDUCE**
11 **ADVANCE ROYALTIES.**—Section 39 of the Mineral Leas-
12 ing Act (30 U.S.C. 209) is amended by striking the last
13 sentence.

14 **SEC. ____14. ELIMINATION OF DEADLINE FOR SUBMISSION**
15 **OF COAL LEASE OPERATION AND RECLAMA-**
16 **TION PLAN.**

17 Section 7(c) of the Mineral Leasing Act (30 U.S.C.
18 207(c)) is amended in the first sentence by striking “and
19 not later than three years after a lease is issued,”.

20 **SEC. ____15. AMENDMENTS RELATING TO FINANCIAL AS-**
21 **SURANCES WITH RESPECT TO BONUS BIDS.**

22 (a) **PROHIBITION ON REQUIRING SURETY BONDS.**—
23 Section 2(a) of the Mineral Leasing Act (30 U.S.C.
24 201(a)) is amended by adding at the end the following:



1 “(4) The Secretary shall not require a surety bond
2 or any other financial assurance to guarantee payment of
3 deferred bonus bid installments with respect to any coal
4 lease issued based on a cash bonus bid.

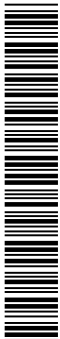
5 “(5) Notwithstanding any other provision of law, if
6 the lessee under a coal lease fails to pay any installment
7 of a deferred cash bonus bid within 10 days after the Sec-
8 retary provides written notice that payment of the install-
9 ment is past due—

10 “(A) the lease shall automatically terminate;

11 “(B) any deferred bonus payments that have
12 not been paid to the United States with respect to
13 the lease shall no longer be owed to the United
14 States; and

15 “(C) any bonus payments already made to the
16 United States with respect to the lease shall not be
17 returned to the lessee or credited in any future lease
18 sale.”.

19 (b) CONFORMING AMENDMENT.—Section 2(a)(1) of
20 the Mineral Leasing Act (30 U.S.C. 201(a)(1)) is amend-
21 ed by striking “Upon default or cancellation of any coal
22 lease for which bonus payments are due, any unpaid re-
23 mainder of the bid shall be immediately payable to the
24 United States.”.



1 **SEC. ____ 16. INVENTORY REQUIREMENT.**

2 (a) REVIEW OF ASSESSMENTS.—

3 (1) IN GENERAL.—The Secretary of the Inte-
4 rior, in consultation with the Secretary of Agri-
5 culture and the Secretary of Energy, shall review
6 coal assessments and other available data to
7 identify—

8 (A) public lands with coal resources;

9 (B) the extent and nature of any restric-
10 tions or impediments to the development of coal
11 resources on public lands identified under para-
12 graph (1); and

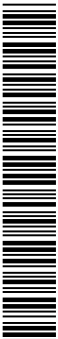
13 (C) with respect to areas of such lands for
14 which sufficient data exists, resources of com-
15 pliant coal and supercompliant coal.

16 (2) DEFINITIONS.—In this subsection:

17 (A) COMPLIANT COAL.—The term “compli-
18 ant coal” means coal that contains not less
19 than 1.0 and not more than 1.2 pounds of sul-
20 fur dioxide per million Btu.

21 (B) SUPERCOMPLIANT COAL.—The term
22 “supercompliant coal” means coal that contains
23 less than 1.0 pounds of sulfur dioxide per mil-
24 lion Btu.

25 (b) COMPLETION AND UPDATING OF THE INVEN-
26 TORY.—The Secretary—



1 (1) shall complete the inventory under sub-
2 section (a)(1) by not later than 2 years after the
3 date of the enactment of this Act; and

4 (2) shall update the inventory as the availability
5 of data and developments in technology warrant.

6 (c) REPORT.—The Secretary shall submit to the
7 Committee on Resources of the House of Representatives
8 and the Committee on Energy and Natural Resources of
9 the Senate, and make publicly available—

10 (1) a report containing the inventory under this
11 section by not later than 2 years after the effective
12 date of this section; and

13 (2) each update of that inventory.

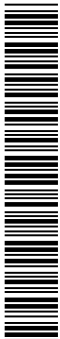
14 **SEC. ____17. APPLICATION OF AMENDMENTS.**

15 The amendments made by this **【Act/subtitle?】**
16 apply—

17 (1) with respect to any coal lease issued on or
18 after the date of enactment of this Act; and

19 (2) with respect to any coal lease issued before
20 the date of enactment of this Act, upon the earlier
21 of—

22 (A) the date of readjustment of the lease
23 as provided for by section 7(a) of the Mineral
24 Leasing Act (30 U.S.C. 207(a)); or



1 (B) the date the lessee requests such appli-
2 cation.

